

## Appendix A

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### 38 U.S.C. Section 817:

"In the event of disagreement as to any claim arising under this Act. (Sections 801-818, 820-823 of this title), suit may be brought in the same manner and subject to the same conditions and limitations as are applicable to the United States Government life (converted) insurance under the provisions of sections 445 and 551 of this title."

### 38 U.S.C. Section 445:

"In the event of disagreement as to claim, including claim for refund of premiums, under a contract of insurance between the bureau (Veterans' Administration) and any person or persons claiming thereunder an action on the claim may be brought against the United States either in the Supreme Court of the District of Columbia (United States District Court for the District of Columbia) or in the district court of the United States in and for the district in which such persons or any one of them resides, and jurisdiction is hereby conferred upon such courts to hear and determine all such controversies. The procedure in such suits shall be the same as that provided in sections 5 and 6 of the Act entitled 'An Act to provide for the bringing of suits against the Government of the United States', approved March 3, 1887, and section 10 thereof so far as applicable."

"The term 'claim' as used in this section, means any writing which alleges permanent and total dis-

ability at a time when the contract of insurance was in force, or which uses words showing an intention to claim insurance benefits and the term 'disagreement' means a denial of the claim by the director (Administrator of Veterans' Affairs) or someone acting in his name on an appeal to the director (Administrator)

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## Appendix B

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"No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation." Fifth Amendment to the Constitution of the United States.

## Appendix C

### PROFIT FACTOR IN OPERATION OF MONTHLY DIFFERENCE SYSTEM.

If the insurer had ten policies placed under protection in December 1940 each with annual premiums of \$50.00 coming due on January 1 of each year and all ten insureds were separated from service December 31, 1944, and allowed their policies to lapse at the end of protection December 31, 1945, and final settlement was made December 31, 1946, the Monthly Difference Reports would have shown the following:

Report for month of	Charges	Credits	Net
January 1941	\$500.00	—	\$500.00
January 1942	500.00	—	500.00
January 1943	500.00	—	500.00
January 1944	500.00	—	500.00
January 1945	500.00	—	500.00

and certificates, bearing 3% interest, would have been issued to the insurer. On settlement the Government would pay

\$500.00 on Certificate #1 plus 3% for 6 yrs. or	\$ 590.00
500.00 on Certificate #2 plus 3% for 5 yrs. or	575.00
500.00 on Certificate #3 plus 3% for 4 yrs. or	560.00
500.00 on Certificate #4 plus 3% for 3 yrs. or	545.00
500.00 on Certificate #5 plus 3% for 2 yrs. or	530.00
Total .....	\$2800.00
Cost per insured (1/10 of total) .....	280.00

However, if one insured died on December 31, 1943, one insured paid his back premiums and policy loan interest at 6% compound on the day of separation, December 31, 1944, and the policy of another insured

had sufficient cash value to cover all unpaid premiums with interest thereon at the policy loan rate at final settlement on December 31, 1946, the Monthly Difference Reports would have shown:

Report for month of	Charges	Credits	Net
January 1941	\$500.00	—	\$500.00
January 1942	500.00	—	500.00
January 1943	500.00	—	500.00
January 1944	450.00	168.83	281.37
January 1945	400.00	231.75	168.25
On Final Settlement		298.66	(298.66)

and on final settlement the Government would have paid:

\$500.00 on Certificate #1 plus 3% for 6 yrs. or	\$ 590.00
500.00 on Certificate #2 plus 3% for 5 yrs. or	575.00
500.00 on Certificate #3 plus 3% for 4 yrs. or	560.00
281.37 on Certificate #4 plus 3% for 3 yrs. or	306.69
168.25 on Certificate #5 plus 3% for 2 yrs. or	178.35

Subtotal	\$2210.04
Less credit on final settlement	298.66
Total	\$1911.38
Cost per insured (1/7th of total)	273.05

Adjustments to these figures for cash surrender values, would complicate the computation without affecting the basic result. Application of surrender value would reduce the cost per policy pro tanto, but the difference between charges and credits due to the difference between 3% simple interest and 6% compound interest would remain.

## Appendix D

## SUMMARY OF EXHIBITS 7, 8, 9, AND 10.

Insured	Policy #	Column 1	Column 2	Column 3	Column 4
		Paid to Insurer; Claimed by U.S.	Col. 1, Less One Year of Protection	As of One Year After Separation	On Final Settlement 1/29/49
Plesha	419814	\$261.05	\$219.61	\$185.87	\$203.11
Kern	428642	264.36	209.63	160.42	187.21
Kern	395773	67.70	38.21	.84	18.98
Mabbutt	420558	205.75	199.98	171.06	184.20

Column 1 represents 'unpaid protected' premiums plus interest at the policy loan rate, 6% compound, during the period the policies were listed as being under protection. For Plesha and Kern this period ended two years after separation; Mabbutt's policy was withdrawn from protection on February 27, 1947, 14 months after separation. (R. 107, 130.)

Column 2 represents the same calculation except that it assumes protection terminated one year after separation.

Column 3 represents unpaid protected premiums plus interest at 3% un compounded, from the date of protection to one year after separation.

Column 4 represents the same thing as Column 3, except that interest is calculated to January 25, 1949, the assumed final settlement date. It is assumed that the liability of the company to pay cash value (which under Section 410 became payable one year after separation) did not bear interest. If this liability did bear interest and the rate of interest could be supplied, the figures in Column 4 would be reduced by the amount of such interest.